

# RECEIVED HAWAI'I STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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### ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM & DEV. AGENCY Date of Receipt: Application Number: To be assigned by Agency APPLICANT PROFILE Project Title: Acquisition of a Cardiology Private Practice. Project Address: 98-1247 Ka'ahumanu Street, Alea, Hawaii 96701, Suite 208 Applicant Facility/Organization: The Queen's Medical Center Name of CEO or equivalent: Arthur A. Ushijima Title: The Queen's Health Systems President & CEO, The Queen's Medical Center President Address: 1301 Punchbowl Street, Honolulu, Hawaii 96813 Fax Number: 691-7990 Phone Number: 691-4688 Contact Person for this Application: Paula Yoshioka Title: Executive Senior Vice President, Corporate Development Address: 1301 Punchbowl Street, Honolulu, Hawaii 96813 Phone Number: 691-7996 Fax Number: 691-7990 **CERTIFICATION BY APPLICANT** I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting

Date

documentation included is true and correct to the best of my knowledge and belief.

QHS President &CEO, QMC President

Title (please type or print)

Signature

Arthur A. Ushijima

Name (please type or print)

1.	TYPE OF ORGANIZATION: (Please check ail applicable)			
	Public PrivateX_ Non-profitX_ For-profit Individual CorporationX_ Partnership Limited Liability Corporation (LLC) Limited Liability Partnership (LLP) Other:			
2.	PROJECT LOCATION INFORMATION			
	A. Primary Service Area(s) of Project: (please check all applicable)			
	Statewide:  O`ahu-wide:  Honolulu:  Windward O`ahu:  West O`ahu:  Maui County:  Kaua`i County:  Hawai`i County:			
3.	DOCUMENTATION (Please attach the following to your application form):			
	A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)			
	See Appendix A			
	<ul> <li>B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.)</li> <li>Certificate of Need, State Health Planning and Development Agency</li> <li>Medicare 855A Application</li> <li>Medicare 855B Application</li> <li>Your governing body: list by names, titles and address/phone numbers</li> </ul>			
	See Appendix B			
	D. If you have filed a Certificate of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:  - Articles of Incorporation: - By-Laws: - Partnership Agreements: - Tax Key Number (project's location):  980080260025			

4.	TYPE OF PROJECT.	This section helps our reviewers understand what type o
	project you are proposing	. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility					
Outpatient Facility				х	
Private Practice					

5. BED CHANGES. Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

### Not Applicable

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
	u u		
TOTAL			

#### 6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:				
1.	Land Acquisition		•	
2.	Construction Contract		\$207,000	
3.	Fixed Equipment			
4.	Movable Equipment		\$120,000	
5.	Financing Costs			
6.	Fair Market Value of ass lease, rent, donation, et	• •	\$482,500	
7.	Other:			
	Т	OTAL PROJECT COST:	\$809,500	
B. Soul	ce of Funds			
1.	Cash		\$327,000_	
2.	State Appropriations			
3.	Other Grants			
4.	Fund Drive			
5.	Debt			
6.	Other: Fair market value	to be paid by	_\$482,500,	
	Т	OTAL SOURCE OF FUNDS:	\$809,500	

7. CHANGE OF SERVICE: If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please reference the Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

The proposed project involves the acquisition of a cardiology clinic, owned by Dr. Hiro Makino, previously located at 98-1079 Moanalua Rd Suite 370 Aiea, HI 96701. Dr. Makino is retiring. In anticipation of his retirement, Dr. Makino has transferred his patients to The Queen's Medical Center. QMC proposes to acquire the clinic as part of the "Queen's Heart Physician Practice" (QHPP). QMC proposes to relocate the practice from 98-1079 Moanalua Rd Suite 370 Aiea, HI 96701 to 98-1247 Ka'ahumanu Street, Aiea, Hawaii 96701, within one mile from the previous location, as a cardiology clinic.

- 8. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:
  - i. Date of site control for the proposed project: March 2013
  - ii. Dates by which other government approvals/permits will be applied for and received: **May 2013**
  - iii. Dates by which financing is assured for the project: May 2013
  - iv. Date construction will commence: May 2013
  - v. Length of construction period: 1 month
  - vi. Date of completion of the project: May 2013
  - vii. Date of commencement of operation: June 2013

viii.

Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the certificate of need.

9. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificate of need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.

The Queen's Medical Center requests approval from the State Health Planning and Development Agency to acquire a cardiology private practice as a "Queen's Heart Physician Practice" cardiology clinic. Dr. Makino is retiring and is transitioning his patients to QHPP to ensure quality continuity of services for patients served by his practice. QMC proposes to relocate the practice from 98-1079 Moanalua Rd Suite 370 Aiea, HI 96701 to 98-1247 Ka'ahumanu Street, Aiea, Hawaii 96701, approximately 1 mile away from its previous location, as a cardiology clinic.

- a. Relationship to the State of Hawai'i Health Services and Facilities Plan.
- Promote and support the long-term viability of the health care delivery system

Quality and access are always top priorities to ensure the sustainability of Hawaii's health care delivery system. As an island State, there are natural limitations to our health resources. Preserving and conserving an array of services helps to safeguard the long term viability of health care in Hawaii. Dr. Makino's retirement will negatively impact his existing patients, as well as future patients who might not otherwise have access to the quality services that Dr. Makino provided to the community for decades. As Dr. Makino is now on staff with QMC, the transition of his patients to the proposed cardiology clinic will ultimately ensure the most optimal continuity of cardiology services to his current patients, as well as provide for enhanced access to high quality of specialty care and specialized services for future patients.

 Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner

As part of the transition process, Dr. Makino has been employed since March 1, 2013 as a physician with the Queen's Medical Center and has transitioned his patients to QMC. As part of this process, QMC has hired two (2) physicians and seven (7) staff in support of the transition to ensure continuity of care. Should the cardiology clinic be authorized herein, additional physicians and staff will also be hired, as needed.

 Ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost

As a clinic that is part of an existing, sizeable program with The Queen's Medical Center, the proposed cardiology clinic will benefit from Queen's clinical, operational, and financial strengths and resources. The clinic will be opened with the Queen's standard of high quality care. Cost-effective and financial viability of the clinic will be managed through Queen's centralized business operations, such as human resources, finance, purchasing, IT, legal, etc.

• Strive for equitable access to health care services

As a part of The Queen's Medical Center, the proposed cardiology clinic will serve the mission of The Queen's Health systems to provide quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawaii. Access to services at the clinic will be available to all patients, in particular the elderly, low income persons, racial and ethnic minorities, women, persons with disabilities, and other underserved groups.

• Ensure all projects are appropriate for regional and statewide continuum of care

The proposed cardiology clinic will help to achieve the goals and objectives towards achieving individual optimum health through early detection, outpatient treatment, minimizing the need hospital admission, avoiding open surgery, and preserving general health function of individuals. This will further help to achieve the goals of increasing the span of health lives for Hawaii's residents and achieving equitable and effective access at reasonable cost.

Current and new patients will benefit from the continuity as well as coordination of care from the area primary care providers to the cardiac specialists this proposed cardiology clinic will provide. Working with area primary care providers, coordination in electronic health records, care protocols, and paperwork will better ensure appropriate care for patients.

Specific to the West Oahu SAC Priorities:

Improve and Increase Access

The proposed cardiology clinic will provide the West Oahu community with easy access to high quality specialized cardiology care. The cardiology clinic will be serve as a link between the West Oahu community and both the new Queen's Medical Center – West Oʻahu and the Queen's Medical Center to ensure convenient access to appropriate hospitalization for patients with needs for higher levels of care.

Improve Education and Increase Preventative Medicine

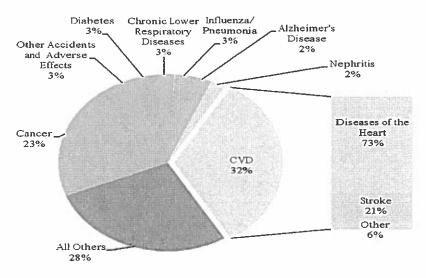
The proposed cardiology clinic will provide evaluations and state-of-the-art diagnostic techniques. It will bring together information, education and screening, respecting the individual path each patient wants. Staff will help guide patients towards healthy behaviors, to prevent heart disease, to lessen chances of more serious heart problems.

#### b. 'Need and Accessibility

According to the World Health Organization, Cardiovascular diseases (CVD) are the number one cause of death globally: more people die annually from CVDs than from any other cause. An estimated 17.3 million people died from CVDs in 2008, representing 30% of all global deaths. Of these deaths, an estimated 7.3 million were due to coronary heart disease and 6.2 million were due to stroke. Low- and middle-income countries are disproportionally affected: over 80% of CVD deaths take place in low- and middle-income countries and occur almost equally in men and women. The number of people who die from CVDs, mainly from heart disease and stroke, will increase to reach 23.3. million by 2030. CVDs are projected to remain the single leading cause of death.

According to the National Center for Health Statistics, coronary heart disease makes up the majority of heart disease deaths in America. In 2009, over 385,000 Americans died of coronary heart disease. Heart disease is also very costly, with estimated combined costs of \$177.5 billion for healthcare services, medications, and lost productivity in 2007.

CVD, which includes heart disease and stroke, continues to be the leading cause of death in Hawaii. Heart disease is the number one cause of death in Hawaii. According to the State of Hawaii Department of Health, of the 1.4 million statewide population, over 2,900 Hawaii residents die annually due to some form of CVD. Another 650 died due to stroke, the third leading cause of death in Hawaii. Rates of obesity, diabetes, high blood pressure, and high cholesterol are escalating in Hawaii. In Hawaii, a total of 18,372 hospital discharges with a primary diagnosis of CVD occurred in 2010. Total hospital charges for CVD-associated charges increased 75.9% from 1996 to 2010. Hospital charges include hospital stay of room and board, pharmacy, laboratory, x-ray, and hospital based physician charges.

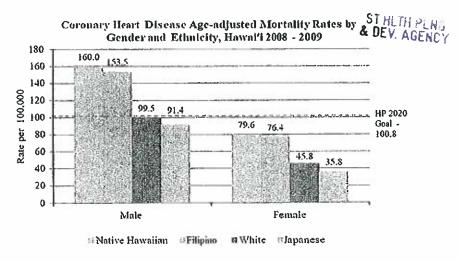


Source: Hawai'i State Department of Health, Office of Health Status Monitoring

According to the State of Hawaii Department of Health, both coronary heart disease and stroke mortality rates are highest among Native Hawaiians and Filipinos. High blood pressure prevalence is highest among adults with low educational attainment and low household income. Those with low income or less than high school educational attainment are amongst populations least likely to be taking medications for high blood pressure. The West O'ahu region is home to the largest concentration of Native Hawaiians in the State. According to the State of Hawaii Department of Health, Native Hawaiians have the poorest health status and lowest life expectancy among Hawaii's major ethnic groups. According to the State of Hawaii Department of Health, both coronary heart disease and stroke mortality rates are highest among Native Hawaiians

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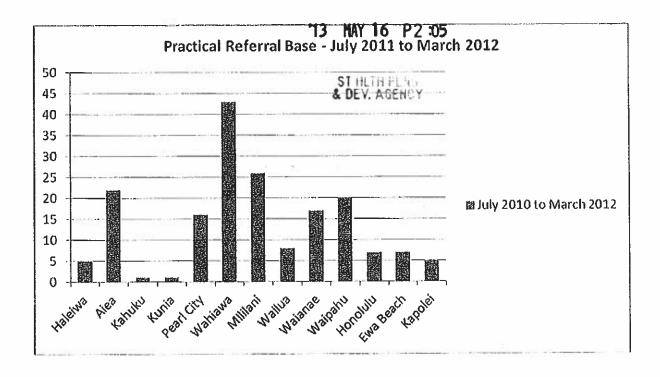
Source: Hawai'i State Department of Health, Office of Health Status Monitoring Note: Age-adjusted to the year 2000 U.S. Standard Population

According to the 2010 U.S. Census, West O'ahu is the fastest growing region on the island and is home to 356,000 (42%) of O'ahu's residents. While the overall population on O'ahu is expected to grow at an average of less than 1% per year, West O'ahu's population is projected to grow at an annual rate of 2-3%. By 2030, it is expected to grow to 50% of O'ahu's population with over 600,000 residents. Housing growth is expected to be strongest in Kapolei/Ewa, followed by moderate growth in Mililani/Waipio and Waianae. Long-range master planning includes: a) UH West O'ahu 500-acre development for 7,600 students and 1,000 faculty; b) \$5.3B rail transit system from East Kapolei to Ala Moana Center; and c) 36,000 new residential units over the next 20 years.

This proposed cardiology clinic will increase access to cardiovascular care easier for all patients in the Central and West O'ahu primary service area. The location of the proposed cardiology clinic is positive in its convenient, continued accessibility for Dr. Makino's active and inactive patients, new patients, all residents, as well as visitors to Oahu, especially in the West and Central area of Oahu, including the elderly, low income persons, racial and ethnic minorities, women, persons with disabilities, and other underserved groups.

There is a need for this service as evidenced by the existence of Dr. Makino's practice of over 30 years. Dr. Makino's practice served thousands of active patients, with 120 referring physicians. Current and new patients will benefit from the continuity of services, as well as coordination of care from the area primary care providers to the cardiac specialists this proposed cardiology clinic will provide.

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#### c. Quality of Service/Care

The Queen's Heart Physician Practice adheres to the Queen's Medical Center's Performance Improvement Plan. As such, this QMC Performance Improvement Plan will be utilized at the proposed cardiology clinic. The purpose of the QMC Performance Improvement Plan is to systematically measure, plan, design, communicate, assess, reassess, and improve performance of key functions and process relative to patient safety, clinical care, and service. To achieve this, the plan incorporates data and quality planning throughout the organization, including QHPP, provides a systematic mechanism for the organization's staff, departments, and professions to function collaboratively, and focuses on six quality dimensions of safety, effectiveness, patient-centered, timely, efficient, and equitable. The QMC Performance Improvement Plan meets established national quality benchmarks for care of the cardiovascular patients. The physicians are faculty members of the only Accreditation Council for Graduate Medical Education (ACGME) accredited training program for cardiologists in Hawaii.

The Queen's Medical Center is licensed by the Hawaii State Department of Health, accredited by the Joint Commission on Accreditation of Healthcare Organizations, and certified by Medicare.

Queen's Heart Physician Practice (QHPP) is a group of board-certified, professionally trained physicians and nurse practitioners that focus on the cardiac and vascular care for the people of Hawaii. The concept of the cardiovascular practice is to combine cardiovascular medicine and access to high quality surgical care. The proposed

cardiology clinic will provide not only cardiovascular care to the West O'ahu/Central community, but also consultative services. QHPP will provide continuous research on the latest data and treatments in an effort to provide the most advanced or care for each of our patients. QHPP cardiovascular physicians are committed to providing expert diagnosis, treatments and care of cardiac and vascular conditions to help with the continual improvement of lives.

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Due to the complexity of these heart conditions, it has been well recognized that specialized programs are needed to care for adults with congenital heart disease. Over the past decade, specialized centers have been developed across the country to care for these patients and help with this transition. In order to provide comprehensive, specialized and easily accessible care for this unique patient population, the proposed cardiology clinic will provide care by cardiologists and cardiac surgeons who are familiar with the pathology, anatomy, and social issues that affect adult patients. All patients will be welcomed, with simple repaired defects to complex procedures.

## d. Cost and Finances (include revenue/cost projections for the first and third year of operation)

For the first full year of operation, net revenue is projected at \$1,577,034, with direct expenses of \$2,028,409., equating to an operating loss of \$451,375. By the third year of operation, revenue is expected to increase to \$1,371,346, with total expenses of \$1,586,661 resulting in an operating loss of \$215,316. QMC projects to lose money in the early years, but expects the project will break even by year 5. QMC has the financial means to cover the losses until positive revenue is realized.

#### e. Relationship to the existing health care system

The proposed cardiology clinic will not alter the relationship to the existing health care system. QMC proposes to rent space in a different building and relocate the proposed cardiology clinic approximately 1 mile away. The proposed cardiology clinic will provide a continuity of specialized services and specialty care for the patients served by Dr. Makino's long-standing private cardiology practice. The proposed cardiology clinic will offer high quality, outpatient cardiology services in a location that will promote and support the overall healthcare system, at minimal impact to other providers. It will enhance quality and continue to ensure the access to care for Central and West O'ahu families.

#### f. Availability of Resources.

The Queen's Medical Center and the Queen's Heart Physician Practice have the financial, clinical staff, and administrative staff to manage and operate a physician practice. QMC has hired two (2) physicians and seven (7) staff in support of the transition to ensure continuity of care. Additional physicians and staff will also be hired, as needed. QMC has sufficient cash from operations to fund the transition of clients and provide operating capital.

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	gibility to file for Administrative Review. This project is eligible to for Administrative review because: (Check all applicable)
	It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
	It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
	It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.
<del></del>	It is a change of ownership, where the change is from one entity to another substantially related entity.
<u>X</u>	It is an additional location of an existing service or facility.
_X_	The applicant believes it will not have a significant impact on the health care system.